

Message Text

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16

ACTION EUR-25

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SUBJECT: OFFICIAL INTEREST IN CROATIA EXPRESSED IN GREATER
ECONOMIC COOPERATION WITH U.S.

REFERENCE: (A) BELGRADE 3413; (B) ZAGREB 0433;
(C) BELGRADE 3859 (D) BELGRADE A-414 AND PREVIOUS

SUMMARY: IN STRESSING DESIRABILITY RAISING LEVEL OF ECONOMIC
COOPERATION WITH U.S. AND OF REDUCING TRADITIONAL DEPENDENCE
IN CROATIA ON GERMAN TECHNOLOGY, VICE PRESIDENT ZJALIC OF
CROATIA'S EXECUTIVE COUNCIL HAS UNDERLINED IMPORTANCE
ATTACHED HERE TO EARLY SEPTEMBER U.S. TRIP OF YUGOSLAVIA'S
FORMER AMBASSADOR AT WASHINGTON BOGDAN CRNOBRNJA. MR. CRNOBRNJA
IS NOW GENERAL DIRECTOR OF IMO, A CONSORTIUM OF SEVERAL ENTER-
PRISES IN CROATIA, SERBIA, AND SLOVENIA MANUFACTURING RAIL-
ROAD AND OTHER HEAVY EQUIPMENT. MR. CRNOBRNJA WILL MEET IN
U.S. WITH GENERAL MOTORS (GM) REPRESENTATIVES TO DISCUSS
POSSIBLE MANUFACTURE BY IMO OF GM DIESEL-ELECTRIC LOCOMOTIVES
AS WELL AS WITH PULLMAN-STANDARD REPRESENTATIVES TO CONTINUE
TALKS ON MANUFACTURE ROLLING STOCK. MR. ZJALIC ALSO HOPES
FOR ALL "FIRST HAND" U.S. TECHNOLOGY POSSIBLE AT KRSKO NUCLEAR
POWER PLANT, BUT MADE CLEAR GERMANY'S KRAFTWERK UNION (KWU)
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BENDING MAJOR EFFORT LAND KRSKO BID WITH ANCILLARY OFFERS.

MR. ZJALIC PROVIDED SOME DETAIL ON ANCILLARY OFFERS WHICH CAN RELATE TO POSSIBLE KWU CONSTRUCTION OF NUCLEAR POWER PLANTS IN USSR. MR. ZJALIC EXPECTS DECISION ON SUCCESSFUL KRSKO BIDDER IN OCTOBER OR NOVEMBER. END SUMMARY

1. VICE PRESIDENT MILAN ZJALIC OF CROATIA'S EXECUTIVE COUNCIL ASKED ME TO CALL ON AUGUST 29, TO DISCUSS ECONOMIC COOPERATION WITH THE U.S. HE BEGAN BY EMPHASIZING THAT GREATER ECONOMIC COOPERATION WITH THE U.S. IS "STRATEGICALLY AND POLITICALLY" IMPORTANT AND THAT OFFICIAL CIRCLES IN CROATIA ARE NOT SATISFIED WITH "MODEST" LEVEL OF EXCHANGE OF GOODS WITH THE U.S. ALTHOUGH OBSERVING THAT CONSIDERATIONS SUCH AS MONETARY SITUATION CAN HAVE EFFECT, MR. ZJALIC WAS UNAWARE OF ANY OBSTACLES ON U.S. SIDE TO GREATER ECONOMIC COOPERATION. HE NOTED, HOWEVER, THAT TRADITIONAL DEPENDENCE IN CROATIA ON GERMAN TECHNOLOGY AS WELL AS SOVIET OFFERS OF LONG-TERM CREDITS ARE ENCOURAGING COOPERATION IN THOSE DIRECTIONS.

2. MR. ZJALIC CONTINUED THAT MODERNIZATION OF YUGOSLAVIA'S RAILROADS IS A HIGH PRIORITY PROJECT. IN THIS CONNECTION, YUGOSLAVIA'S FORMER AMBASSADOR AT WASHINGTON BOGDAN CRNOBRNJA WILL TRAVEL TO THE U.S. ON OR ABOUT SEPTEMBER 2 IN HIS CAPACITY AS GENERAL DIRECTOR OF IMO (UNITED ENTERPRISE FOR INDUSTRIAL MACHINERY AND EQUIPMENT). IMO, WITH HEADQUARTERS IN BELGRADE, INCLUDES DJURO DJAKOVIC (LOCOMOTIVES, ETC.) OF SLAVONSKI BROD, CROATIA; GOSA (ROLLING STOCK) OF SMEDEREVSKA PALANKA, SERBIA; AND METALNA (CRANES, ETC.) OF MARIBOR, SLOVENIA. MR. CRNOBRNJA WILL MEET GM REPRESENTATIVES TO DISCUSS POSSIBLE IMO MANUFACTURE OF GM DIESEL-ELECTRIC LOCOMOTIVES. HE ALSO IS EXPECTED TO CONTINUE IMO'S DISCUSSIONS WITH PULLMAN-STANDARD REGARDING POSSIBLE IMO MANUFACTURE OF PULLMAN-STANDARD ROLLING STOCK (REFTELS (A) AND (B)).

3. AFTER REPEATING THAT TRADITIONAL DEPENDENCE IN CROATIA ON GERMAN TECHNOLOGY IS "TOO HEAVY", MR. ZJALIC STRESSED THAT NEED IS FOR BEST IN MODERN TECHNOLOGY AND PRODUCTS AND THESE STEM FROM U.S. UNFORTUNATELY, THOUGH, MANY BUSINESSMEN AND ENGINEERS HERE HAVE A "NARROW, BLINKERED" VIEW LOOKING ONLY TOWARD GERMANY FOR TECHNOLOGY. "THIS MUST CHANGE".

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4. MR. ZJALIC THEN TURNED TO THE KRSKO NUCLEAR POWER PLANT PROJECT AND DESCRIBED A VISIT HE HAD RECEIVED RECENTLY FROM A MR. HENKE (PHONETIC), WHO IS A SIEMEN'S MAN SERVING AS KWU'S EXPORT MANAGER. MR. HENKE ASSURED MR. ZJALIC THAT, IF KWU LANDS THE KRSKO BID, KWU WILL UTILIZE PLANTS IN CROATIA AND SLOVENIA TO MANUFACTURE COMPONENTS FOR NUCLEAR POWER PLANTS.

HENKE MENTIONED RADE KONCAR IN ZAGREB, CROATIA; JUGOTURBINA

IN KARLOVAC, CROATIA; ISKRA IN KRANJ, SLOVENIA; AS WELL AS A SECOND ENTERPRISE IN SLOVENIA AS ENTERPRISES WHICH COULD BENEFIT. HENKE HAD ASSERTED TOO THAT KWU, WITHIN THE FRAMEWORK OF EXPANDING FRG-USSR ECONOMIC COOPERATION, EXPECTS CONTRACTS FOR TWO NUCLEAR POWER PLANTS IN USSR. IN THIS REGARD, HENKE HAD SAID THAT SOME DM 400 MILLION OF WORK COULD BE CONTRACTED IN YUGOSLAVIA. KWU WOULD SUPPLY TRAINING, TECHNOLOGY, AND EQUIPMENT.

5. AS TO FINAL DECISION ON KRSKO, MR. ZJALIC EXPECTS THAT THE INVESTORS WILL DECIDE ON THE BIDDER IN SEPTEMBER AND THAT GOVERNMENTAL CONSIDERATION OF THIS DISCISON WILL LAST UNTIL OCTOBER OR NOVEMBER.

6. FURTHER ON KRSKO, MR. ZJALIC AGREED THAT EXIM'S RATES OF INTEREST ARE MOST ATTRACTIVE AND THAT THE TECHNOLOGY OFFERED BY WESTINGHOUSE AND GENERAL ELECTRIC IS OUTSTANDING. HE SAID: "I HOPE FOR ALL THE FIRST-HAND AMERICAN TECHNOLOGY POSSIBLE AT KRSKO."

7. IN CONCLUSION, MR. ZJALIC AGAIN UNDERSCORED IMPORTANCE ATTACHED HERE TO GREATER ECONOMIC COOPERATION WITH THE U.S. IN PARTICULAR, COOPERATION WHICH WILL LEAD TO EXPANDED INDUSTRIAL ACTIVITY AND WHICH WILL PROVIDE BETTER JOBS AND MODERN TECHNOLOGY. HE WAS HOPEFUL THAT MR. CRNOBRNJA'S TRIP WOULD BEAR FRUIT. MR. CRNOBRNJA WOULD BE TRAVELLING AS A BUSINESSMAN BUT WOULD BE IN TOUCH WITH YUGOSLAVIA'S AMBASSADOR GRANFIL IN WASHINGTON. MR. ZJALIC WAS ASSURED THAT THE VIEWS HE EXPRESSED WOULD BE REPORTED EXPEDITIOUSLY.
WILSON

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